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Mr. Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street NW
Washington, DC 20423-0001

July 10, 2006

ENTERED
Office of Proceedings

JUL 17 2006

Part of
Public Record

RE: Finance Docket 30186 (Sub No. 2), Tongue River
Railroad Co. -- Rail Construction and Operation --
Ashland to Decker, Montana

Dear Mr. Williams:

I am submitting, on behalf of the Tongue River Railroad Company, an original and ten copies of our four-month progress report for the latest four-month period, pursuant to the Surface Transportation Board's favorable decision served November 8, 1996 in FD 30186 (Sub-No. 2).

Please note that a copy of the four-month report has been served only on the Parties of Record identified in the Surface Transportation Board's complete service list served October 3, 2003 and amended in a notice served by the Surface Transportation Board on October 24, 2003. We will continue to serve the four-month report on these parties.

Sincerely,

Douglas A. Day
Representative for the
Tongue River Railroad Company

Enclosure

cc: Parties of record

CERTIFICATE OF SERVICE

I hereby certify that on this 10th day of July, 2006, a copy of the foregoing document was served via first class mail, postage prepaid, to the following Parties of Record:

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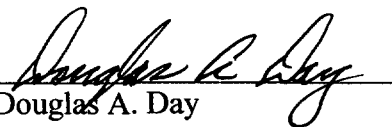
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TONGUE RIVER RAILROAD COMPANY

Four-Month Report to the Surface Transportation Board

July 10, 2006

1. Surface Transportation Board - Regulatory Proceedings

The Tongue River Railroad Company has before the Surface Transportation Board ("Board") an application in STB Finance Docket No. 30186 (Sub-No. 3) which seeks authority to construct and operate a rail line in Rosebud and Big Horn counties, Montana. The application seeks authority to construct and operate the "Western Alignment" in Rosebud and Big Horn counties. The Western Alignment is proposed as an alternative routing for the southernmost 17.3-mile portion of the 41-mile Ashland to Decker rail line approved by the Board in 1996 ("Tongue River II"). The pending TRRC application includes proposals to modify certain portions of the rail line running between Ashland and Miles City, Montana approved by the Interstate Commerce Commission in 1986 ("Tongue River I").

A Draft Supplemental Environmental Impact Statement ("DSEIS") in the Finance Docket No. 30186 (Sub-No. 3) proceeding was served on October 15, 2004 by the Board's Section of Environmental Analysis ("SEA"). The Board's environmental review process is continuing pursuant to the final amended scope of the supplemental EIS published in the Federal Register on August 22, 2003.

2. Secondary Approvals

The environmental review process is being conducted in consultation with three agencies that requested and have been granted cooperating agency status. The cooperating agencies are: the U.S. Army Corps of Engineers; the U.S. Department of the Interior, Bureau of Land Management; and, the Montana Department of Natural Resources and Conservation, acting as lead agency for other Montana state agencies. The cooperating agencies have decision-making authority for granting approvals and easements secondary to the Board's approval of the construction and operation of the Tongue River Railroad. The Draft Supplemental EIS

includes an environmental review of issues raised by the cooperating agencies in order for those agencies to fulfill their regulatory responsibilities and to avoid duplicative environmental analysis and review.

3. Relationship with the Burlington Northern Santa Fe

The Burlington Northern Santa Fe Railway continues to support development of the Tongue River Railroad project. The Burlington Northern Santa Fe and the Tongue River Railroad Company are maintaining communications concerning the regulatory review process and status, among other matters.

4. Engineering and Design

Tongue River Railroad design engineer representatives continue to be available to respond to questions and requests for information posed as a result of the environmental review being conducted by the Board's Section of Environmental Analysis. Final engineering and design efforts remain on hold pending completion of the STB regulatory proceedings in TRR III.

5. TRRC Ownership Structure

There has been no change in the ownership of Tongue River Railroad Company, Inc. since the previous report.